CONSUMER PROTECTION & GOVERNMENT OPERATIONS COMMITTEE
of the
Suffolk County Legislature

Minutes

A regular meeting of the Consumer Protection & Government Operations Committee was held in the Rose Y. Caracappa Auditorium at the William Rogers Legislature Building, Veterans Memorial Highway, Hauppauge, New York on **March 14, 2002** at 11:30 a.m.

MEMBERS PRESENT:
Legislator Cameron Alden, Chairman
Legislator Lynne Nowick, Vice Chair
Legislator Martin Haley
Legislator Bill Lindsay

MEMBERS EXCUSED:
Legislator Allan Binder

ALSO IN ATTENDANCE:
Paul Sabatino, Legislative Counsel
Warren Greene, Aide to Legislator Alden
Charles Gardner, Director, S. C. Department of Consumer Affairs
Bruce Dragonette, Assistant Director, S.C. Department of Consumer Affairs
Judy Schillaci, Verizon Communications
Kevin Rooney, CEO Oil Heat Institute of Long Island
Gordian Raacke, Chairman Citizens Advisory Panel
Terry Pearsall, Aide to Legislator Lindsay
Ed Hogan, Aide to Legislator Nowick
Meghan O'Reilly, Liaison to Presiding Officer Paul Tonna
Kevin Duffy, Budget Review Office
Joe Muncey, Budget Review Office
Carl Yellon, Aide to Legislator Crecca
Bill Davidson, LIPA
Mark Serotoff
All Interested Parties

Minutes taken and transcribed by Irene Kulesa, Legislative Secretary

(The meeting came to order at 11:30 a.m.)

CHAIRMAN ALDEN:
This is the Consumer Protection and Government Operations Committee and we will start with the Pledge and we'll have it led by Legislator Nowick.

SALUTATION

CHAIRMAN ALDEN:
I'm just going to take -- we don't have to re-stand but I just would like to take one moment and observe a moment of silence for number one, the victims of September 9/11 and also for those recent casualties that the United States has suffered overseas. So I'd just like to take one moment of silence.

MOMENT OF SILENCE

CHAIRMAN ALDEN:
Thank you. We're going to start off with Judi. We have a representative from Verizon and I thought it was appropriate at this time to just give a little explanation about some of the things we've been hearing about, the increases that are coming up. So thanks a lot for

coming down.

MS. SCHILLACI:
My pleasure. Good morning. Legislator Alden, I have a brief prepared statement that I will read that will brief everyone on these issues. And then I'd be happy to take questions. My name is Judi Schillaci and I am the Director of Verizon Community Affairs for Long Island. I am here today at the request of Legislator Alden to provide you with an overview of the new Regulatory Plan for Verizon, which was approved by the New York Public Service Commission on February 27th, 2002.

The Verizon Incentive Plan, VIP for short, replaces the Performance Regulatory Plan that had been in effect since 1995 and was soon to expire. Discussions to set in place a new Regulatory Plan had been underway in 2001, but was suspended following the September 11th, terrorist attack. The term of the VIP is two years with an additional one-year commitment relating to service quality. The new plan creates a regulatory framework that is responsive to today's highly competitive communications market. There are three significant elements that I will focus on today.

First, the plan gives Verizon greater flexibility to adjust its pricing of products and services. Second, Verizon continues its commitment to providing basic telephone service at discounted prices to eligible low income New Yorkers. And third, the plan assures that Verizon customers will continue to receive high quality telephone service by requiring Verizon to meet stringent service performance standards.
The key to the plan is a new framework for pricing flexibility. Pricing flexibility means that within certain limits specified in the plan, Verizon may adjust its prices for products and services without prior regulatory approval. This enables Verizon to respond to today's fast changing market demands, much the same way as any other local telephone company in the State can. Under the agreement, the total of any price increase is limited to 3 percent of the company's annual revenue from services provided over Verizon's Network in New York State. More than ever, pricing products and services, according to the demands of the market is essential to meet challenges from both traditional and non-traditional competitors, including cellular, cable telephone service providers and electronic messaging sent over the Internet.

Under the pricing flexibility structure provided under the plan, Verizon has increased the price of basic service for residents and business customers by one dollar and eighty-five cents effective March 1st, 2002. This increase applies to the first telephone line and all additional lines. This modest increase brings the price of basic service closer to the actual cost of providing the service. I might add that this is the first price increase for basic telephone service in eleven years. While the rate of inflation has increased more than 30 percent during the same time period. In fact, the price for basic dial tone actually was reduced by forty-nine cents in 2000 and touch-tone service charges were then completely eliminated.

Regarding Verizon's Lifeline Service, our discounted telephone service for eligible low-income customers, there will be no increase in price. Customers with a basic Lifeline Service will continue to pay as little as a dollar a month plus the cost of their calls. Additionally, the cost of new line installation for Lifeline Service is being reduced to five dollars under the plan. This will help to insure that home telephone service remains available to Long Island's most needy residents.

Let me now address the commitments Verizon has made to insure telephone service quality. As I mentioned earlier, service quality standards in New York continue to be among the toughest in the industry. Generally, Verizon service quality commitments in the plan relate to customer trouble reports, customers out of service over 24 hours, installation performance and complaint levels. Failure to meet any of the performance objectives in the plan will result in service credits to affected customers. Furthermore, failure to meet any two of the five performance objectives in any quarter will result in the suspension of pricing flexibility for Verizon. An independent external auditor will review service quality procedures and measurements.

We want our customers to know about and understand these pricing changes and have taken steps to provide this information. Both Verizon and the Public Service Commission have issued press releases. We have placed key messages about the new plan in our bill insert extra and on our Web site at www.verizon.com/ny. Toll free customer information numbers have been established, which contained detailed messages about the new plan. These messages are available in English, Spanish and are also accessible to TTY users. The extra enclosed in our April bills will contain another reminder to check our Website and 800 numbers for details.

Legislator Alden, your Aide has specifically asked me about other pending price increases. Within a few months, we expect to raise the price of directory assistance by five cents to fifty cents. Also, local calling packages are expected to increase by one dollar. Again, in comparison to the price increases that consumers have experienced in other areas, these are modest in scope. You may have also read that Verizon is raising the price of a local call from pay phones here in New York to fifty cents. Also, the price for directory assistance from pay phones is now fifty cents. The last time we raised the price of a local coin call was in 1984, when the cost went from ten cents to a quarter. The new fifty-cent price now buys customers a local call of unlimited length. This eliminates timed calling. Formerly, twenty-five cents for three minutes and five cents for additional two minute periods.

Conversion of pay phones will take at least several weeks, so customers should pay the price posted on the phone during the transition. Let me add here that Verizon had previously changed the price of a local pay phone call to fifty cents in the other States it serves, following moves by other pay phone providers to increase the price of a local call. The simple reality is that today it costs a lot more to operate and maintain a hundred and ten thousand public pay phones in local communities throughout the State. At the same time, there is increasing competition from other public pay phone operators and cell phones, while the cost of a local call on a Verizon public pay phone has increased, there is now added value since the call is no longer timed.

In the future, Verizon will continue to review the pricing of products and services and may adjust prices in accordance with market demands and in full compliance with the new regulatory plan. At the same time, Verizon also will continue to invest in New York's Telephone Network and bring to market new calling plans and attractive telephone service packages.

This ends my prepared statement. I'll be happy to take questions about the new incentive plan, should you have any questions about telephone matters that are unrelated to the plan. I would ask you to contact me at my office, so I can assist you. And I believe Legislator Alden's Aide; Warren Greene has my business cards and would be happy to provide them to you. Thank you.

CHAIRMAN ALDEN:
Thank you very much for coming down and explain what happened. Just as a review, what you just said on one point? PSC held hearings and basically, looked into the -- like the whole concept and your whole business plan to raise these rates? Is that not correct?

MS. SCHILLACI:
There were very protracted discussions with the Public Service Commission.

CHAIRMAN ALDEN:
The final result was a compromise between -- you wanted to raise them a little bit more than that and the Public Service Commission allowed you to raise them at that point?

MS. SCHILLACI:
I believe the Public Service Commission felt that it was time to move to a more flexible pricing arrangement, in order to allow us to compete effectively in the marketplace. I actually took the -- from the Public Service Commission's Website exactly what they said about it, since I don't like to speak for the Commission out of turn. The joint proposal

approved today is unique in its broad base support said Commissioner Thomas Dunleavy, who chaired today's meeting. All of the parties in this proceeding agreed that this is the next logical step for the Commission to take to keep New York's Telecommunications Market open to competition to strengthen that competition and to bring New Yorker's the benefits of innovation and choice. He goes on to point out that the VIP Plan received solid support from Verizon's competitors in the local phone market.

CHAIRMAN ALDEN:
Judi, Verizon was formally known as New York Tel? Is that --?

MS. SCHILLACI:
Actually, when I started in the business 30 years ago, we were indeed New York Telephone. Eventually, after the divestiture in 1984, we became NYNEX. Then merged with Bell Atlantic to become the new Bell Atlantic and then Bell Atlantic and GTE merged to become Verizon.

CHAIRMAN ALDEN:
Now, other competitors have to go -- basically, you have the infrastructure, right?

MS. SCHILLACI:
I'm sorry?

CHAIRMAN ALDEN:
Other competitors have to go over your lines, right? You own the infrastructure basically?

MS. SCHILLACI:
It depends. Some competitors can -- they're perfectly free to build their own infrastructure or Verizon sells at a discounted rate, parts of our network, what we call unbundled network elements or {unees} if you want sound like an insider. And the Public Service Commission, earlier this year, actually issued an order reducing -- decreasing the rates at which Verizon sells unbundled network elements to competitors and it's expected that that will enhance an increased competition in the State.

CHAIRMAN ALDEN:
I've been getting a few calls at the office about -- and it was in anticipation, because I don't think the new bill has gone out yet, right? People will be getting it --?

MS. SCHILLACI:
The extra, with the new rates and the information about the increase are starting with the March bills. And you're correct, since it takes us six business days to prepare a bill and mail it out. They are just starting to hit now.

CHAIRMAN ALDEN:
Yes, so I anticipate a few more calls then what we've had but thank you very much for coming down. And I will be referring anything that comes in so -- Legislator Lindsay?

LEGISLATOR LINDSAY:
Yes, I too would like to thank you for coming down. I have a question about the Lifeline Program. How does that work?

MS. SCHILLACI:
Lifeline is a discounted telephone service that has been available for many years to customers of low income who meet certain eligibility requirements. If the customers are participating in certain entitlement programs and they are listed in the front pages of the directory, this is how their eligibility is determined. If they are participating in family assistance, food stamps, HEAP, the Home Energy Assistance Program, Medicaid, Safety Net, SSI. If they are income eligible for any of these programs, they are eligible to receive the same telephone service that everyone else does for as little as a dollar a month plus the cost of the calls. And if they don't have telephone service and wish to have it connected, they will now only pay an installation charge of five dollars.

LEGISLATOR LINDSAY:
Do you have any brochures on that plan?

MS. SCHILLACI:
I certainly do.

LEGISLATOR LINDSAY:
I would appreciate it if you could get some to me anyway, because I'd like to have them in my legislative office to -- of assistance to constituents that might be applicable.

MS. SCHILLACI:
I'd be happy to do that Legislator Lindsay. In addition, we have an Outreach and Education Program, where we work with many human service providers, some of the County agencies, as well as consumer groups to let them know, not only about the Lifeline Service but also to educate them on how to save money on their bill. Control their usage; reduce their charges, a program we call keeping connected. So I certainly make myself available to any of the groups that you would like me to work with on that and of course, I will send you some flyers.

CHAIRMAN ALDEN:
If you could send them to, not just on this committee, but all 18 legislative offices?

MS. SCHILLACI:
Absolutely, I'd be happy to do that.

CHAIRMAN ALDEN:
Thank you.

LEGISLATOR LINDSAY:
That would be helpful. Because I was unaware of the program and I think it's a good program.

MS. SCHILLACI:
Absolutely. We have thousands of customers that have benefited from it.

LEGISLATOR LINDSAY:
I have one other question that's unrelated to that program though is -- with the events of September 11th, Verizon lost a major facility in lower Manhattan. Am I correct?

MS. SCHILLACI:
What happened is, in addition to the facilities that were actually in the Twin Towers, we have a major switching center and other office buildings at 140 West Street when World Trade Seven collapsed. Part of the building collapsed into 140 West. But of course that restoration is -- the temporary restoration is just about complete and permanent restoration will continue for some time.

LEGISLATOR LINDSAY:
That had to be a huge expense to Verizon? Am I correct?

MS. SCHILLACI:
Um-um.

LEGISLATOR LINDSAY:
Does that play into this rate increase?

MS. SCHILLACI:
That's an excellent question and no, it does not. Verizon is seeking reimbursement from

private insurance along with assistance from Federal and State Governments to cover damage resulting from the terrorist attack.

CHAIRMAN ALDEN:
Are there any other questions from the committee? You are going to send copies to all legislative offices?

MS. SCHILLACI:
I certainly will.

CHAIRMAN ALDEN:
I just had one other comment and then, if you could take this back to Verizon? If they would consider Suffolk County as a backup for any of their type of operations? Because I know they were knocked out in the -- as Legislator Lindsay put that, in the September 11th, attack. Some corporations have contacted Suffolk County and they are seeking to put their backup systems and backup offices out here and locate them in Suffolk County. So if that's a possibility, we'd more than welcome that opportunity to talk to you about relocating some of those, I guess, the office, the backup offices?

MS. SCHILLACI:
Network redundancy in the event that one network -- I'd be happy to take that back and find out who are the right people to talk with you about that.

CHAIRMAN ALDEN:
Good, thank you very much.

MS. SCHILLACI:
My pleasure. Thank you.

CHAIRMAN ALDEN:
Okay, next we have Kevin Ronney. I became aware of a situation where LIPA is looking at building more electric generating power plants on Long Island. And most of the proposals that are put forth would go against natural gas, interruptible natural gas. And Mr. Rooney has pointed out very, very clearly, some of the problems that can be associated with that. So without me doing it first, I'm going to turn it over to Mr. Rooney and you can give us a little idea of what the problem is with something like that.
MR. ROONEY:
Thank you Mr. Chairman, members of the committee. Excuse me, I'm working on a real cold here. For the record, my name is Kevin Rooney and I am the Chief Executive Officer of the Oil Heat Institute of Long Island. By way of background, I have been intimately involved in energy issues here on Long Island for some 30 years as the Director of Federal Government Affairs for the former Long Island Lighting Company, Senior Legislative Affairs Representative for the Edison Electric Institute in Washington. And finally, as Director of the Office of Intergovernmental Affairs of the U.S. Department of Energy during the first Reagan Administration.

I appreciate the opportunity to appear before the committee today to discuss an issue of great interest, both to my industry and to all energy consumers throughout the BI-County Region. Long Island is the densest heating oil market in the nation with approximately 600 thousand homes, close to 70 percent of the total residential heating market, using over five hundred million gallons of heating oil annually. When coupled with commercial, industrial and utility usage, sales of number two fuel oil exceeds seven hundred million gallons annually on Long Island.

In this age of energy deregulation and competition, the issues of availability, usage and supply infrastructure for any energy source, whether gas, oil or electric, cannot be viewed in a vacuum. But rather must be considered in relation to all other fuels and energy sources. On the issue of the New York State Petroleum Supply infrastructure, the daft State Energy Plan acknowledges the importance of the oil pipeline and terminal network and the critical role, which it plays in moderating prices during periods of constrained supplies. The report, however, notes a precipitous decline in available oil storage capacity as follows quote "operational storage capacity of number two home heating oil has declined by some 24.4 percent over the past seven years, thus there is less capacity to meet a typical demand surges associated with cold weather. This creates marketplace supply uncertainty and contributes to greater short term price volatility" end quote. It is in the context of this uncertainty in the area of petroleum supply in terminal infrastructure that one must actually view gas and electric supply issues.

For the past few years, my industry has grown increasingly concerned regarding the number of customers applying for gas service under the KeySpan interruptible gas Tariff. In an expression of its concern over the whole issue of interruptible gas usage of alternate fuels, the New York State Public Service Commission issued a specific order some two years ago. To mitigate against the detrimental effect, which large volume interruptible gas customer usage of alternate fuels has on both the supply and price of heating oil. The Commission ordered the demand interruptible gas customers must maintain 10 days of alternate fuel storage on site or under contract from November 1, of each year through the winter heating season. In our opinion, there are two major fundamental problems with this current Commission order.

One, those interruptible gas customers, which had less than 10 days of alternate fuel storage capacity on site, were not required to install additional storage even if the physical space to do so was available. In the absence of adequate on-site storage, the ability to move substantially larger volumes of heating oil during critical supply periods is simply a factor of the physical number of available fuel oil trucks, tractor-trailers and drivers.

Two, the Commission order also failed to apply the 10-day on-site storage requirement to either existing or new utility generators operating under interruptible gas contracts. This entire line of argument ultimately begs the question of what will happen some 3 to 5 years from now, if even half of the new power plants projected for construction on Long Island are actually built.

In the findings and conclusions of the draft report, the following is noted, quote "if the natural gas fuel the electric generating facilities with interruptible gas contracts are unable to acquire their primary fuel, they will use significant quantities of distillate over a very short period of time. This could strain the ability of the petroleum industry infrastructure to respond to this need" end quote. There are at least eight proposed projects in the downstate area that are slated to burn natural gas on an interruptible contract basis. These eight projects comprising some four thousand megawatts of installed capacity have a maximum petroleum burn rate of six point three million gallons a day, when interrupted from their primary fuel. Furthermore, some three thousand megawatts of new capacity could also be added from additional projects, which intend or have contracted to use gas on a firm non-interruptible basis.

The addition of all of these new power plants, whether using gas on a firm or interruptible basis, places an enormous drain on the existing network of gas supply lines. Absent major and very significant additions to the current capacity available to the New York area in general and Long Island specifically, the likelihood of an increased number of gas supply interruptions for a longer than historical duration increases exponentially. The daily demand for number two fuel oil for heating purposes on Long Island averages approximately four point one million gallons a day, in a normal December, January winter day. The petroleum supply infrastructure on Long Island is capable of supplying all customer needs for approximately 8 days.

In a winter period, some 10 percent colder than normal, daily demand rises to approximately four point five million gallons a day and if included, traditional non-power plant gas interruptible load adds about another million gallons a day. Total available supply now stands at approximately 6 days. The two interruptible gas fired power plants proposed for Long Island, if interrupted at the same time, which is quite likely, would add an additional one point seven million gallons a day, for a total of seven point three million gallons a day. At this point, the supply infrastructure would be capable of handling this level of demand for a little more than 4 days without re-supply.

As numerous State and local officials can readily attest, from their involvement during the winters of 2000 and 2001, re-supply is not a given. This is particularly so when an industry such as ours is largely dependent on waterfront barging facilities on the north shore of Long Island, which is any of us who are boaters know are quite often buffeted by seas of six to eight feet and fifteen to twenty five mile an hour winds out of the northwest. At this juncture and with these weather conditions, it is the safety of barge and tugboat crews, not fuel for homes or businesses or electric power plants, which is and rightfully should be of paramount importance.

The position which the institute has taken for well over a year now is that the existing petroleum industry infrastructure can more than adequately handle the supply needs of our own customers even in colder than normal periods. But looking to the same infrastructure, looking to the future, the same infrastructure is totally incapable of handling an almost 100 percent increase in demand associated with traditional interruptible gas customers and electric power plants whose gas supplies have been interrupted.

Thus we argue all new power plants should have a firm gas supply or if they are interruptible that a minimum of 10 days alternate fuel supply should be constructed on site and fully maintained. The draft energy plan supports this position. It notes, quote "the potential exists that these generating facilities could almost double the demand for dissolute fuels or each of them to have their natural gas supply interrupted at the same time. With hourly use of this magnitude, adequate on site storage capacity for backup fuel is critical" end quote. If this issue is not addressed, the additional fuel demands of utility generators will someday, very soon, present my industry with a classic {hobson's} choice. To supply fuel to a homeowner for heat and hot water or supply fuel to a utility generator to keep the lights on. It is not a choice we will make. It is a choice that we reject. Failure to build and maintain alternate fuel storage capacity on site, sufficient to last or gas interruption of at least 10 days casts serious doubt as to the reliability of the electric output of these proposed power plants during critical winter periods.

In summary, the Institute takes no position on the issue of whether or not these proposed power plants should be built or even whether their potential electric supply is needed. I leave that discussion to others. We do, however, take a very firm stand on the issue of power plant fuel supply, particularly, as it affects the supply of heating oil. Our industry position can be summed up in one sentence. In order to be licensed, these proposed new power plants should have a firm non-interruptible gas supply or they shouldn't be built. Failing that, 10 days of on site storage capacity should be absolutely mandatory.

This discussion begs the question. What actions should you, as elected officials, take to address the issues that I have raised here today? I would respectfully suggest the following. One, petition the New York Public Service Commission to reopen order 00G0996 to require that traditional interruptible gas customers, here we're talking schools, hospitals, government buildings, for example. Install alternate fuel storage tanks equal in size to 10 days consumption on site prior to November 1, of this year. If these customers are unwilling to make the basic capital investment in their own energy security, then they shouldn't receive the economic benefit of cheap gas under the current interruptible Tariff.

Two, petition the PSC to apply the same 10 day on site storage requirements to all existing interruptible gas power plants and co-generators and all existing diesel fuel peaking units, such as the LIPA units in Wading River, which have a maximum burn rate of close to eight hundred thousand gallons per day but less than one hundred thousand gallons of on site storage.

Three, petition the New York State Siting Board to include as a mandatory provision of any power plant application under Article 10 that 10 days alternate fuel capability be constructed on site before an operating license is issued. The case in point here is the proposed Kings Park PPL Facility, which has a maximum burn rate of some seven hundred and sixty thousand gallons per day but is proposing to build only eighty thousand gallons of on site oil storage.

That is enough fuel to run this power plant for about two and a half-hours. After that, continued operation of this power plant will require that some seventy five to eighty tractor-trailers, each of ten thousand gallons capacity be delivered to the site each and every day of the gas interruption.

In all honesty, is this what we really want to see on the local streets and in our neighborhoods? I, for one, think not. I would be very pleased to answer any questions that you may have. If somebody could possibly get me some water?

CHAIRMAN ALDEN:
Thanks a lot for coming down. Rest your voice for a minute and basically, the reason why it's before Consumer Protection because, I think, there's a joint jurisdictional thing here. The Energy Commission or Energy Committee of this legislative body should be looking at this question also. But we're here because of the huge impact that this is going to have on some of our constituents, as far as being consumers of either gas or being consumers of either other types of fuel oils. And as we saw and was mentioned in the testimony, the winter of 2000, 2001 was horrible. We couldn't get barges into re-supply and the price spiked up immensely. And that's puts a very, very huge burden on everybody and an even more of a burden on people that could be as far as marginal income. When their income is soaked up and they end up with a choice of whether they're going to feed the family or whether they're going to heat the house. That's something that if we can avoid that, we want to avoid that at all costs. So the issue is timely. It's a -- and I believe that jurisdictional, we should be looking at this. I'm going to ask Legislative Counsel to take -- he'll take the minutes and he'll draft some of those resolutions.

MR. ROONEY:
From a consumer standpoint Mr. Chairman let me give you a little snapshot in time. On the 14th, of January of the Year 2000, the average heating oil price, according to the New York State Energy Office, NYSERTA stood at a dollar twenty-nine. Supplies to the area were plentiful and it had been reasonably warm up to that point in time. From numbers that we received, there was about thirty to thirty two million gallons of storage on site, on Long Island and re-supply was not a problem. In the six-week period from the middle of January, to the end of February, the weather turned extremely cold and did not let up. Supplies were drawn down quite rapidly because of the onset of much, much colder weather.

Because of weather conditions, bear in mind, almost a third of all of the oil diesel fuel and gasoline that comes to Long Island comes through the Tosco System, which originates in Port Jefferson Harbor and then is pipelined through Setauket, Holtsville and back then to Plainview. During that period, where we did have high seas and high winds, Tosco was unable to bring in any barge at all for any product for almost four and a half days. It reached the point where not only was demand from traditional heating oil customers increasing because of the cold weather but all of the six hundred plus interruptible gas customers, so that is the quote "traditional interruptible gas customers were forces off gas and onto oil." In addition to that, co-generators and here we're talking basically, Bethpage and the other co-generator over by the Nassau Coliseum were switched off gas and went onto oil. Those two units alone, in Garden City and in Bethpage, consume about five hundred and forty thousand gallons a day. On top of that, to make matters worse, the New York State Power Pool, the independent supply operator required or asked LIPA to increase its generating capacity to make up for an electric shortfall in the northern counties. As a result, the LIPA unit at Wading River was run, was started up and run at full capacity for a period of about 13 days. And as I said in my testimony, that burns about eight hundred thousand gallons a day.

What you had in the space of about a 5 to 10 day period was a supply, demand supply situation, which was in almost perfect equilibrium that went completely haywire. It reached the point where, in all honesty and in numerous conversations with both the Governor and his energy people and his advisors, with County Executive, Bob Gaffney and Tom Gullota, we reached the stage of seriously, seriously considering asking both County Executives to shut down Government Buildings for a period of 5 days, in order to take the drain off the oil supply system. That is something in my 20 years at OHI, I have never seriously contemplated and yet, you know, Bob Gaffney and Tom Gullotta will certainly attest to those discussions that we had. And that brought to mind, as graphically as you can imagine how complex and how inter-related this whole energy supply situation was. I mean, if it was simply a matter of serving our own customers because of increased demand, no problem. But when someone comes along and says okay, you're the one to serve all of your customers -- oh and by the way, however, much that uses, I've got that much again, it's going to be brought in and the demand from schools, hospitals, nursing homes, government buildings, the County Jail, you name it. In addition to that, power plants that you're going to be running. And at one point, we were down to about a day and a half supply on Long Island. A situation that, you know, when you're looking at a consumer impact was absolutely dramatic. The price of heating oil, per gallon, in a 10 day period went from a dollar twenty nine to two dollars and forty eight cents a gallon and it stayed that way through the end of February.

Now, maybe most people got one delivery, maybe they got two deliveries but on an average delivery of about a hundred and seventy gallons, at a difference of, you know, approximately a dollar plus per gallon. The average consumer ended up paying about two hundred and fifty to three hundred dollars more in that short six week period than they would have otherwise and in my opinion should have done. So the consumer impact here is very graphic. And then when I look at what happened in 2000 and it was repeated on a minor scale in 2001 and we haven't had to deal with it this year because God knows this has been about the warmest winter on record. But just because we haven't had a problem this year doesn't mean to say that next year and the year after, we're not going to have a problem. Load on top of that another two to three million gallons of oil demand from a whole bunch of new electric power plants and I've got to tell you, in all honesty, my industry has one hell of a problem looming in the future. Not supplying our customers but supplying unfortunately, KeySpans customers.

CHAIRMAN ALDEN:
In light of your testimony, I'm going to ask Legislative Counsel, Paul Sabatino to draft resolutions for consideration by this committee that would mirror what you've asked us to look at. And we'll get something down in writing and then we can take a look and see if that satisfies and what we should do from there. And again, it's going to be in conjunction with anything we do would be with the Energy Committee also because I think that's very appropriate. Does anybody -- Legislator Haley, then Legislator Lindsay.

LEGISLATOR HALEY:
You know what happens a lot of times, I think, it's government doesn't tend to be pro-active, it tends to be re-active. And had you, in fact, ran out of that day and a half, you probably wouldn't be here today because it would have implemented some sort of a plan, correct? I mean that's what happens. And you know it's very easy for each and everyone of us in a normal circumstance, especially if we're having the discussion in July, when the siting of a power plant comes before us, even though we don't have jurisdiction. You know communities are trying to get some sort of give and take out of a siting of a plant. And one of them is putting fuel oil on a site and they don't want it because they're afraid you're going to have a major spill. You're going to destroy the groundwater. I haven't really -- I could be wrong. But I haven't really seen any substantial oil spill on Long Island that has had that kind of a detrimental impact on groundwater. I mean, knowing how fuel oil is with number two or even heavier stuff, it doesn't go that far. I mean and it's probably more readily cleaned than would be a gasoline spill or a lighter, I don't know if that's the correct expression, distill it. So I'm concerned. And I agree with your premise here, having operated buildings that were on interruptible gas, I agree with you. But one of the biggest problems we have is overcoming that mindset that we don't want fuel oil stored. And I think that an effort by your group to show how effectively fuel oil is stored and what is perhaps some of the new technologies -- new technologies that are being used to prevent that type of a problem, I think, will go a long ways into getting some support from not only this Legislature obviously, but from the State as well.

MR. ROONEY:
Mr. Haley, if I can just respond? Since 1979, Suffolk County has had the most stringent, the

toughest oil storage regulations of virtually any County or State in the nation. They are substantially more stringent that the State DEC requirements. In fact, they are so far beyond the DEC requirements that in Nassau and Suffolk Counties, the County Laws preempt the State because they are more stringent. In terms of terminals? Every terminal that is constructed on Long Island existing or new has to have a dyke capable of maintaining 110 percent of the capacity of the tank. That dyke has to have an impervious lining. The inside of the tank itself up ten feet about ground level has to be lined with epoxy. There has to be overfill devices. There has to be a leaching pad on the transfer platform. Covers over that platform. Oil water separators. I could go on and on and on endlessly about what is required. And it is not because we do not agree with that, those premise or those regulations, quite the contrary, we do.

We've been very; very supportive of what the County Health Department has tried to do under Article 12. The last time there was a major spill that affected groundwater on Long Island was actually from the Northville System in Setauket. And it was a pipeline; a long standing pipeline leak and it basically is what led to Northville selling/leasing its entire network to the Tosco Corporation. Bear in mind, there is a difference between an apple and a Mercedes. I can't think of anything more graphic off the top of my head, between heating oil and gasoline. Gasoline has a viscosity, which is five times different than that of heating oil. It contains BTX benzene, {tiulene}, xylem compounds, which are known carcinogens. It travels five to ten times faster in groundwater than does heating oil, which has a tendency to adhere to the subsoil. Heating oil has no BTX compounds. Does not migrate anywhere near as fast. When one looks at an order of magnitude of environmental risk, I would suggest to you and any other thinking individual in a regulatory or legislative body that septic waste pesticides and fertilizers are far more damaging to the environment than heating oil would be.

We've got to get together with the County Health Department and reassure some of these communities that if a power plant is going to be built in their community and it requires a million gallon storage capacity of two or three or five or whatever the number is that that storage capacity can be properly maintained in an environmentally safe and acceptable manner and not affect either their health, their safety or the environment. That is something we've got to do as an industry. I think the power plant operators and owners have to do and they have to do it conjunction with the Health Department. But I think it can be done and it certainly should be done.

LEGISLATOR LINDSAY:
First of all, I want to acknowledge your presentation. It was quite informative and thorough. When it comes to the recommendations, you want us to petition the New York State Public Service Commission and the New York State Siting Board. Have you made this presentation to them?

MR. ROONEY:
Yes, I have.

LEGISLATOR LINDSAY:
Yes, you have.

MR. ROONEY:
Yes, sir.

LEGISLATOR LINDSAY:
Okay.

MR. ROONEY:
In fact, I was up in Albany --

LEGISLATOR LINDSAY:
Because it just seems that you're in the wrong church? You know?

MR. ROONEY:
No. I was up in Albany just last week testifying before the State Energy Planning Board. We have made the same presentation to the State's Siting Board in a number of cases. We have filed for active intervening status in a number of the Article 10 siting cases in order to raise the profile of this issue. And we've been active with the PSC.

I think that the Chairman of the Committee felt and if I can paraphrase the conversation we had. There are actions being taken at other levels of government, which could have either a positive or detrimental effect on consumers on Long Island. And thus, there is a role to play for the County Legislature. I am, not one sir, who feels that because this is a quote "State issue." That jurisdictional issues override your concern or your involvement, quite the contrary. I feel that it is absolutely essential for our State officials, be they the PSC, the Governor's Office, the State Siting Board that they hear from local elected officials in the Counties that are going to be affected by these power plant sitings. They need your input. They need your knowledge. They need your wisdom. They need your objectivity, in order to make a reasonable and objection decision. So I would very strongly encourage you on behalf of the Legislature to let those other bodies know that you do have an interest in this and you want that interest to be taken into account in the Article 10 Siting process.

LEGISLATOR LINDSAY:
I don't think it's a matter of interest as much as it is a matter of being familiar with the subject and certainly, I would not pretend to tell the PSC or the Siting Board their business. Although, you know, it's an interesting subject and I think it's something that we have to explore. But getting beyond -- I just wanted to make sure that the same presentation was made to those bodies that have the jurisdiction in this area. Let me and again, this is totally as a neophyte but just carrying out the scenario that you're talking about that there's an interruption in gas supplies and they have to switch to oil. Are we going to be faced with a choice of rolling blackouts or heating our home? And again, what good is heating oil to me if I don't have any electricity to fire it. You know, I mean it seems --

MR. ROONEY:
Two points, Mr. Lindsay. One, you may be a relative newcomer to this body but that's a very astute question. Because if you don't have electricity, you can't fire virtually any heating system, gas or oil. Because under State and Federal efficiency requirements for new equipment, they have to have electronic ignition. And so, if you don't have enough heating oil to run those power plants, in the event of a gas interruption, yes the whole issue of reliability of the electric supply is raised in this document. This draft energy plan repeatedly raised in the draft plan and the State Officials are obviously, very, very concerned about the reliability of the electric supply.

And the second point that I would make is that even though you may not have any particular expertise in this issue, this legislative body has been very, very ably represented by Counsel for many, many years and he is the -- sort of the legal institutional knowledge of this body.

CHAIRMAN ALDEN:
Let the record reflect that the speaker's pointed at Legislative Counsel, Paul Sabatino.

MR. ROONEY:
So this is -- these are issues that are certainly not new to Counsel. And it's something that in drafting whatever document this legislative body may wish to send to the Siting Board of the PSC, I would certainly, as I have done many, many times in the past, you know, offer my assistance to Counsel and helping to draft those documents.

LEGISLATOR LINDSAY:
Well, the other thing that I would like to suggest to the committee is that maybe we could invite KeySpan and Pennsylvania Power and Light to come and say what they envision would happen under these scenarios.

CHAIRMAN ALDEN:
I did invite LIPA and I invited KeySpan today. LIPA is represented by Bill Davidson. He's in the back listening and he'll carry any of our requests back to LIPA. I can get in touch with KeySpan and Pennsylvania Power and Light. I can also get in touch with them. But they weren't -- all except Pennsylvania Power and Light was not invited but LIPA and KeySpan --

LEGISLATOR LINDSAY:
The only reason I mentioned it, they were mentioned here.

CHAIRMAN ALDEN:
Yes, they're going to build a plant and it's interruptible power. Legislator Nowick?

LEGISLATOR NOWICK:
It just -- it seems to me that part of the interruptible problem would be storing the oil tanks.

MR. ROONEY:
Um-um.

LEGISLATOR NOWICK:
I think another avenue for you to look at would be to also convince the Suffolk County Board of Health. They seem to have a different outlook than you do about those tanks being so well concealed. And that might be another thing also to look at that. And gee, I had no idea that we had a day and a half worth of fuel left. I would have been in Florida had I known that. But that is something that the public really does need to know.

MR. ROONEY:
Believe me, at the time, I wished I was. It was -- for that short period in January and February of 2000, did the expression hell on wheels comes to mind where literally it was, you know, I was doing sixteen, seventeen hour days, seven days a week for about six days straight. And I think, you know, Jimmy Natoli who is the Chief of State Operations for Governor Pataki and an old friend of mine got sick of hearing from me. Because we would talk sometimes two or three, four times a day. So concerned were they about oil supplies. And the numerous conversations I had with Eric Kopp and with the County Executive letting them know what was happening. What was going on.

MR. NOWICK:
Those storage tanks are very --

MR. ROONEY:
Bare in mind, I don't know if you're a boater. But if you've ever taken a boat into Port Jeff Harbor, you come in from the north through the breakwater. And the breakwater stretches out beyond the harbor and there are huge piles of rocks that goes straight out. When a barge, the largest barge that they can bring into that harbor is about a hundred thousand barrels. That's four point two million gallons. The Delaware is one of the larger barges that come in there. When that barge comes through the breakwater, it is not under power. It is actually pushed. All barges have a little notch in the stern of the barge and the tugboat actually {snugs} up behind the barge, locks on and literally pushes that barge into the harbor. When a barge like the Delaware comes in, it has about 28 feet on either side of the barge to the breakwater.

If you've ever tried getting a boat, a decent size boat into Port Jeff Harbor, when you've got high seas and you've got a wind out of the northwest, you know what kind of problem that is. And what happened was, in essence, the Coast Guard shut down Port Jeff Harbor. They cut it down. They shut it down for safety reasons and they would not let the tugboats push the barge in. Because if you think of a barge that's, you know, yea long and winds going across it, there is no way that they were going to get that barge into the harbor. Not at all.

LEGISLATOR NOWICK:
They probably should be congratulated getting it through there.

MR. ROONEY:
So four and a half days went by where they got nothing in, nothing at all. So, you know, that's part of the reason why we had such a huge problem. And on top of that, the largest transporter on the island is a company called Mystic Petroleum. You might have seen their trucks. They're dark green and black, rather nice looking tractor-trailers. If you're in the heating oil business, the tractor-trailers are nice looking. But they have 320 tractor-trailers. But they were supplying, under contract, to LIPA -- supply for their Wading River Peaking Unit. Now this is not an interruptible gas unit. This is a straight two oil peaking unit. But a unit that burns seven, eight hundred thousand gallons a day, just do the math. A tractor-trailer is ten thousand gallons. That unit alone is going to tie up about 70 tractor-trailers out of a fleet of 320. It's -- the math isn't there. This is a problem that is only going to be exacerbated in the very near future by the addition of these interruptible gas power plants.

CHAIRMAN ALDEN:
Legislator Haley, you had something for him?

LEGISLATOR HALEY:
Just quickly? Are you aware of any of the -- whether it's LIPA or PTL? I don't think anybody has been opposed to maintaining sufficient fuel oil on site. Usually it's -- the siting, it's usually based on some opposition to fuel oil. Is that correct?

MR. ROONEY:
No, well --

LEGISLATOR HALEY:
You may not know that.

MR. RONNEY:
They will say, they, the owners of the power plants or the operators of these {cogen} units or interruptible gas customers, they will say it's because of quote "public opposition or community opposition to the idea of having storage tanks." That's a straw man. That is pure unadulterated BS, pardon my expression. Nobody who is constructing a power plant wants to build a very substantial on site fuel oil storage facility. Fill that storage facility; maintain that storage facility in a full capacity through the entire heating season, if they don't necessarily have to use it.

But the problem with an interruptible gas customer is that they're not seasonal interruptible gas customers, they are what are called demand interruptible. They can be interrupted on demand, six hours notice, you get off gas. And if you own a company or you run a school and if you are demanded to be interrupted and you do not get off gas in that period of time, then the penalty you pay is almost nine times the cost of the gas that you use. That's quite a financial incentive to get off. So I think it's a matter of economics. That some of the power plant -- some of the companies, which are proposing to build power plants do not want to make the capital investment in a large tank facility, do not want to make the ongoing operating expense of maintaining that facility. That's what it comes down to. This isn't, you know, we're doing this because we love the environment or we're concerned about communities.

LEGISLATOR HALEY:
Yes and it goes back to the regulatory agencies.

MR. ROONEY:
You know it's like in baseball, where they say it's not about the money, it's all about the money.

LEGISLATOR HALEY:
Yes, it goes back to the -- unless there's a, you know, crises you're not going to get too

much of a reaction I imagine on it. One last little thought. Because I didn't particularly run into it in my district. I don't recall any phone calls. And I remember getting a delivery last year and I think it was an appropriate delivery. But did you run into situations and I'm sure it happened, can't say it didn't. I'm sure it happened. But during that six-week period when the prices went up substantially, was there any topping off that may have exacerbated that to a point where maybe we only had a day and a half because --

MR. ROONEY:
No.

LEGISLATOR HALEY:
You know, some of these guys, retailers were looking to take advantage.

MR. ROONEY:
What a lot of -- what a lot of companies did and this is a fact. Almost 80 percent of all of the home heating oil customers on Long Island are on something called automatic delivery. That is where based on a mathematical formula that is computer adjusted between degree-days and their traditional consumption patterns. The computer determines when, you know, Mr. Jones or Mr. Smith needs a delivery.

LEGISLATOR HALEY:
Just a quick question here? If you're operating on degree-days, your supplier, can you try to depart from that? Say you were going to top off? Does that screw up your system?

MR. ROONEY:
Absolutely, absolutely it would. And what happened is that in order to run a cost-effective business Mr. Haley, the optimum delivery for a heating oil company is on the order of about a hundred and seventy to a hundred and eighty gallons in a two hundred and seventy five-gallon tank. That way you know that the customer is not going to run out of oil and you're optimizing your delivery schedule, okay! What was happening is that that product was in such tight supply that what a lot of companies were doing is basically, going out and supplying on the average about a hundred gallons instead of about a hundred and eighty to make sure that their customers had enough fuel. That -- there is no way that a heating oil company makes money selling a hundred gallons at a time. Not a regular full service company. They're loosing money on every delivery because now you're making essentially, one point eight deliveries at that rate for every one delivery you would make under a normal rate, which means that your driving time goes up. Your overtime costs go up and so on and so forth.

LEGISLATOR HALEY:
I would agree with that but I'm sure there's a point at which, you know, that reverses -- depends on the price. I mean, you know, you're getting -- if you're getting four dollars a gallon, it's worth delivering.

MR. ROONEY:
Without going into all the fine details and boring you all to death. What I would like to do is if you have an interest, I would show you what the wholesale, the average wholesale price was on January 14th, 2000, versus the average retail. And then look at the average wholesale price versus average retail for the six weeks that followed. And the difference between the two is called gross operating margin. And I would assert to you and anyone else, gross operating margins were about 70 percent in that six-week period of what they were in the period prior to it. What you had was operating -- what you had was wholesale prices. Literally we're going --

LEGISLATOR HALEY:
Did I see Charlie agree with that?

MR. ROONEY:
Ten to twelve cents a day overnight. Send a truck to Holtsville, you know, for a pick up and

get there and realize that the price was ten cents higher than it was when you started out. So unfortunately, no one in my industry makes money with that kind of weather situation, no one.

CHAIRMAN ALDEN:
Through that period, we documented it really and we kept a close eye on really whether there was gouging and things like that. Because as you know, the County can go out and take actions against people that either didn't live up to their contracts or try to gouge at that point and -- so I have all the documentation, if you really need that.

MR. ROONEY:
No.

CHAIRMAN ALDEN:
Okay. Legislator Lindsay, you have another question?

LEGISLATOR LINDSAY:
Not really a question, just an observation and Mr. Rooney might not have been here but the comment about the storage being a straw man? We had a bill here last summer that the Kings Park Community was here, in force; promoting and it had to do with oil storage. They wanted the Health Department involved in that. It was a real dispute. There is no two ways about it. And if I'm not mistaken, I believe, a resolution was passed by the Legislature to have oversight by the Health Department in those storage, I don't remember the exact resolution but it wasn't -- Sense 40, it definitely was not a straw man type of thing. That was genuine concern by that community.

CHAIRMAN ALDEN:
Legislator Nowick?

LEGISLATOR NOWICK:
I believe, when I spoke to -- I went to see the Health Department, Doctor Claire Bradley, I did -- I think and that's what I was talking about before. They did come out with a statement saying they were concerned about the seepage into the water. But now when I listen to you, we hear the other side and that was the point I was getting to. And that was in reference to the Kings Park Power Plant.

CHAIRMAN ALDEN:
Mr. Rooney, thank you very much for coming down.

MR. ROONEY:
Thank you very much Mr. Chairman, members of the committee, I appreciate your time.

CHAIRMAN ALDEN:
I had asked Gordian Raacke to come down also. And I think, I had asked him for a few comments but also, I think that what we'd like to make sure is that cap is going to pick up the ball, so to speak and run with it on this. And then, just make sure that all of these issues are really addressed.

MR. RAACKE:
Thank you Mr. Chairman. And first of all, I'd like to thank you and the committee for allowing Mr. Rooney to bring this issue before you and before the public. I think it's an extremely important problem that Mr. Rooney highlighted and presents a significant concern to consumers. Obviously, to consumers of heating oil but also to consumers of electricity. This issue has not been discussed broadly and publicly before. It's been talked about maybe in some regulatory circles but the public has certainly not been made fully aware of it. And it needs to be considered both in evaluating the individual proposals for power plants on Long Island and anywhere else. But also, it needs to be considered in the context of the comprehensive energy plan. And I believe, for one that here's yet another reason why we need to look at these proposals, not on a one by one basis but in a more -- in a broader context. Because energy issues tend to go across all different arenas. And here we see how

a power plant construction and operation impacts on a completely different aspect of consumer interest, namely the home heating oil sector. So we certainly cannot assume that we can simply build additional fossil, natural gas and oil plants on the island and then worry about where the fuel supply would come from at some later point. We need to consider that all at once.
The example of Kings Park, BP&L Kings Park is a good one. I just wanted to read you from the Kings Park, Article 10 Application, page 9-41; a short section, which is slightly -- the number here, is slightly different from the number that Mr. Rooney just cited. I don't know where the difference comes from but it's not substantial. But Kings Park here -- Kings Park Energy talks here about a New York State Reliability Council, a local reliability rule number 5. A rule that requires a project, a power plant to have backup fuel supply rule promulgated, in order to set the minimum requirements for maintaining a safe and adequate supply of electric power on Long Island. This is specific to Long Island, by the way. But it only requires a rather small amount. And Kings Park says here, Kings Park Energy will store quote "only enough oil to satisfy the minimum requirement of that rule, eighty thousand gallons or enough for four hours of operation." So obviously, a lot less than what Mr. Rooney has called for, namely 10 days. According to this, Kings Park has no intention to build facilities that would store anymore than the minimum requirement as per New York State Reliability Council Rule.

Now, let's keep in mind that, of course, there are several solutions to this problem. On site storage is not the only solution. One obvious solution is to insure that these and Mr. Rooney pointed that out is to make sure and require those facilities to enter into firm gas supply contracts and into un-interruptible gas supply contracts. The existing facilities we have today have firm national gas contracts. So that is certainly something that should be considered. Furthermore, I think this issue highlights once again, the need for conservation and energy efficiency, both in the home sector, in terms of insulation and so forth to cut down on home heating oil usage in the winter but also in the power generation and use sector. And furthermore, as I said earlier, it -- I think reinforces the need for long term and sensible and comprehensive energy planning for the Island.

I have before the Energy Committee, Economic Development and Energy Committee -- I had last year prepared a report on the issue of re-powering and recommended that the power authority and others will look into a way to re-power the existing facilities. Generating facilities on the Island, which essentially consists of replacing the interior working mechanism of the power plant with state of the art equipment. As you know, these facilities are 30, 40, sometimes 50 years old. Obviously, very inefficient in their -- in converting the raw fuel, whether it's natural gas or oil into electricity.

In replacing the old equipment with state of the art modern and efficient equipment, you not only clean up the facilities, reduce air emissions and so forth, you also increase, in some cases, drastically increase the fuel efficiency. In other words, you use less fuel at the same output. To give you an idea, the existing facilities and the rate of converting fuel into electricity is typically measured by the heat rate. It measures the number of fuel units used to generate one-kilowatt hour. In the case of the Barrett Plant, the heat rate is about ten thousand, two hundred and ninety one BTU per kilowatt-hour. In other words, you need to put in enough fuel to have ten thousand, two hundred and ninety one units of BTU to create one-kilowatt hour. In some cases, the Glenwood Number 4 Unit needs as much as twelve thousand, two hundred and fifty BTU's for one-kilowatt hour. The North Fork Plant, about ten thousand, three hundred, four hundred and so forth -- a modern combined re-power, combined cycle, re-powered plant has a heat rate of only seven thousand, seven hundred and forty BTU per kilowatt hour. So some of these plants today that we have use 33, 34, 50 and up to 58 percent more fuel than they would if they had a modern re-powered facility. And that would free up a lot of the natural gas and of course, when they're running on fuel oil. Also a lot of the fuel oil that we are now using.

So I would certainly recommend that among the solutions being looked at is a move towards re-powering these plants, the existing plants. With that, I'd like to again thank you for bringing this issue out in the open. I will report on this issue before the Economic Development and Energy Committee and recommend that the two committees work together on this important issue for consumers.

CHAIRMAN ALDEN:
Thank you very much. We have one more card, Mark Serotoff.

MR. SEROTOFF:
Good afternoon. I apologize for my lack of respectable clothes but I didn't know about the meeting and I just ran over here, literally.

CHAIRMAN ALDEN:
Respectable clothes? That's fine. It looks almost like a golf attire. I like that.

MR. SEROTOFF:
It's my son's sports authority shirt. It's a good thing when your children wear the same size you do so then you can save a little money. So with Mr. Rooney's picture, we're in dire straits. We're shivering in the dark. Our houses are cold. We have no electricity. We can't stay warm. Our grandchildren, our children are freezing. Our wives are chattering their teeth and it is indeed a very horrible scary picture.

I'm speaking in the capacity of the Health Science and Environmental Chairman of the Sustainable Energy Alliance. I also live in the Commack section and we would be impacted by the Pennsylvania proposed power plant. However, Mr. Rooney mentioned several items that are being addressed. The crux of his seems to be -- of the problem seems to be interruptible gas. These power plants, which supply a commodity that determines life and death and health and safety of our families and civilization, have interruptible gas. From non-interruptible gas contracts are available. Brookhaven Energy, the American Energy Corporation running Brookhaven Energy has converted from backup oil. They dropped the oil. They have non-interruptible firm gas. KeySpan's plant in Melville, Spagnoli Road, initially had interruptible gas with oil backup. They dropped oil backup also. It can be done and it has been done.

Mr. Rooney mentioned a straw man pressuring these companies. I can't really see a straw man, literally or figuratively causing multi-billion dollar companies and an international company like American Energy to drop oil just for public pressure. They dropped oil because it made sense. They will, as Mr. Rooney said, they will have less expenses and less environmental liability in the event of a spill. Legislator Haley mentioned the notable lack of spills we have. Why do we have lack of spills? For many years, we have such stringent legal codes on Long Island, Article 7 and Article 12 of the Suffolk County Sanitary Health Code. That has preserved a water supply. We have a sole source acquifer. If there were a spill, even if with 110 percent containment and epoxy dikes and alarm systems, things fail. Trucks get into accidents. Pipes break. Valves break. 747 fuel tanks explode and Boeing has some pretty good engineering. Space Shuttles explode and I think when NASA is involved, its cost, no object. Things break. The Trade Center Towers went down. They weren't designed for a jumbo jet, of course, to go into them but there are mechanical failures. It's well documented that spill prevention is much, much better, cheaper and safer than spill cleanup. If the groundwater were to have a spill, if a valve broke, if there were contamination, the spill cleanup would be many, many times more expensive than prevention of the spill.

So where am I going? Pennsylvania Power and Light, to my knowledge and I've been following this energy situation very closely, is the only plant currently being proposed with an oil backup. Pennsylvania Power and Light is getting its main fuel off the Iroquois Pipeline. Iroquois has tremendous interconnections in New England and Canada to booster and improve their supply. They just added a new compressor station in Wallingford to increase the supply to the Iroquois Pipeline. There will be all kinds of gas pipeline augmentations to Long Island, to address your concerns. There will be the millennium pipeline that's giving Mr. Amper fits by getting the right routing through his Pine Barrens. There's the Iroquois expansion going from Long Island Sound to Shoreham. There's the Islander East Pipeline. So all these pipelines are getting approval. They're moving along. They will be available to supply these numerous power plants with un-interruptible gas.

Pennsylvania Power and Light, as I said, has the option to get interruptible gas. The question can arise, why don't they do it? And in a conversation I had with Mr. Rooney, several weeks ago over the phone, basically interruptible gas costs twice the amount of interruptible gas. So it's basically a dollars and cents equation. A power company can get the firm gas but it's more expensive than interruptible gas and that's why they want the non-interruptible contract. Why did Spagnoli Road drop the gas, drop the oil? Why did Brookhaven drop the oil? It cost them more money. They have a completely different design power station. They have what's called combined cycle, which is twice as efficient as Kings Park. Kings Park Energy is simple cycle. Two thirds of the heat and energy is wasted up the smokestack, so that fuel costs are, literally twice as much. If they were to redesign to combine cycle, they would cut their fuel costs in half and increase their generation.

What do I recommend? From gas to any of these new power plants being proposed, we have only one source of water. We don't have runoff. We don't have numerous acquaducts like New York City and the rest of New York State. The only thing we have is our water supply -- is what's under our feet. And it's safe and it potable now because of our strict regulations that must be enforced and must be maintained, not only for ourselves but for our children and grandchildren and families. To grant a waiver of storing hundreds of thousands of gallons? Kings Park Energies consumption is eighty thousand gallons per hour. There are six GE turbines. The same jet engines that hang under the wing of the 747, eighty thousand gallons per hour. That would be eight million gallons necessary storage, which is what Mr. Rooney is recommending. So he's recommending from eighty thousand gallons, which Mr. Raacke said fulfilled the requirements to eight million gallons. Given that choice, I'd rather have the eighty thousand gallons, there's less potential for spill but you don't need any of it. If it's not there, it can't fail. It can't hurt us. That's why Article 7 and Article 12 of Suffolk County Law must be maintained with no waivers granted.

I spoke with Mr. Minei and Mr. Penn, last year and they told us numerous court challenges had been -- and pressure has been applied to the Suffolk County Health Department to grant waivers for Article 7. The only purpose is corporate profit. There's nothing wrong with that. That's what America is, make a buck. But you have to make it in an ethical way that doesn't endanger the environment or our main source of survival, which is our water supply.

CHAIRMAN ALDEN:
Are you done? Because I -- otherwise, I just have to interrupt you just to make a -- at 1 o'clock there's a Park Committee Meeting and they are starting to -- actually it's starting to fill up the auditorium, it's going to get crowded.

MR. SEROTOFF:
I need less than a minute.

CHAIRMAN ALDEN:
You're going to have to -- we have to go through the agenda too, so I would ask --

MR. SEROTOFF:
I'll conclude now. So my recommendations are, as Mr. Raacke said, we power the existing power plants. We already have the oil. We already have the infrastructure. They can almost increase the -- double the generation and cut the pollution by 80 percent. With that -- having said that, any new power plants that are built from gas fuel supply, that eliminates all the oil. And finally, only build what we need here. We have severe environmental problems, health problems, pollution problems, twenty-five or six power plants that are superfluous shouldn't be allowed. Just build what we need to take care of our needs.

CHAIRMAN ALDEN:
I thank you, sir. Okay, I just want to put on the record also that a representative from KeySpan was here. They're going to review Mr. Rooney's statement and then they would ask that at a future Consumer Protection Committee Meeting, if they would be allowed to address some of the comments that they made.

I don't have any other cards, so I'm going to go right to the agenda. We have Introductory

Resolution 1187 and that's a Local Law to ensure scanner item pricing accuracy within Suffolk County. We have author of that legislation.

LEGISLATOR LINDSAY:
Yes, I would like to make a motion that it be tabled. There are some technical problems with it that we want to re-write.

CHAIRMAN ALDEN:
Motion to table by Legislator Lindsay, second by Legislator Haley. All those in favor? Opposed? All right, we're going to table that one.

INTRODUCTORY RESOLUTIONS:

I.R. NO. 1187-2002 (P) Adopting Local Law No. -2002, A Local Law to ensure scanner item pricing accuracy within Suffolk County. ASSIGNED TO CONSUMER PROTECTION & GOVERNMENT OPERATIONS (Legislator Bill Lindsay)

VOTE: 4-0-0-1 TABLED

CHAIRMAN ALDEN:
We've got a Sense Resolution that's on today also, 16-2002. It's a memorializing resolution requesting local enforcement of Pet Dealer Animal Care Act.

LEGISLATOR LINDSAY:
And I would like to make a motion that be moved out of committee.

LEGISLATOR HALEY:
Second.

CHAIRMAN ALDEN:
Motion by Legislator Lindsay, second by Legislator Haley. All those in favor? Opposed? That passes unanimously.

SENSE RESOLUTIONS:

NO. 16-2002 Memorializing resolution requesting local enforcement of Pet Dealer Animal Care Act. ASSIGNED TO HEALTH & CONSUMER PROTECTION & GOVERNMENT OPERATIONS (Legislator David Bishop)

VOTE: 4-0-0-1 APPROVED

CHAIRMAN ALDEN:
Okay, we don't have anything else on the agenda. Is there anything else?

LEGISLATOR LINDSAY:
Can we hear from our Commissioner? Do we have time?

CHAIRMAN ALDEN:
Sure.

LEGISLATOR LINDSAY:
Wonderful.

MR. GARDNER:
Mr. Chairman, I'd just like to know if anybody had any questions about the fees? If we're working on that? The requested information was sent over to the committee on the fee changes?

CHAIRMAN ALDEN:
I received it. I think I got it. I don't know if I distributed it though. I had a draft made.

LEGISLATOR LINDSAY:
Yes, we received it at the last meeting. And we were going to review it and see if we could come up with a bill that the uniform fees -- that the committee could sponsor.

CHAIRMAN ALDEN:
I didn't put it on the agenda today.

MR. GARDNER:
Because we did our financial impact, our estimate, you know?

CHAIRMAN ALDEN:
Yes, it's a slight loss, like eleven thousand or something like that.

MR. GARDNER:
Right. And that's a loss only in -- remember that's in anticipation of the way it was passed last year anticipating this year's funds, which was underestimated. The overall will still be more than what was projected anyway with that small --

CHAIRMAN ALDEN:
If it's okay with the committee, what I'd like to do is advertise that as part of the agenda for the very next meeting. And then we can invite some of the groups who would be affected by it and make comments.

LEGISLATOR LINDSAY:
Looking at, you know, when going down the whole thing, Charlie and when I did look at a lot of that -- it and maybe my characterization is wrong after you had a chance to review it. But it appears that a lot of the fees are going up but the fees that again, for uniformity, a lot of them are one shot or never happened.

MR. GARDNER:
That's correct. Most of those fees are fees that wouldn't impact the great majority of the contract. And the main fees the licensing fees and that's where 90 -- or more than 90 percent of the funds come from. They are not being changed anyway. It's lost cards, mutilated cards, second location, replacement, a transfer of business names; things like that that a lot of times it doesn't affect most of them anyway. Whether it went up or down, they could care less because it really would not affect them. And it certainly doesn't affect the revenue stream that much because they're such minor fees. But it gets rid of the five-dollar fees and the fifteen-dollar fees and the thirty-dollar fees and makes at least a uniform fee schedule of -- most of them would be the twenty five-dollar fees.

CHAIRMAN ALDEN:
Is there anything else happening that we should be aware of?

MR. GARDNER:
I just want to make you aware that the latest gas price survey was Tuesday and since then, it's gone up three to four cents, just since Tuesday so --

LEGISLATOR LINDSAY:
I have one other question. And I guess it was about two weeks ago, I was over here and I went out the back way. Were you giving something away over there or something? I passed Consumer Affairs; they were lined up in the street. Did you have a sale on licenses or something, Charlie?

MR. GARDNER:
It's just the renewals. The new identification cards and the increase in the number of licenses, we have gone in less than three years from an average of six hundred people per

month going through our lobby. The last six months, the average is fifteen hundred and we topped out in December. We had over seventeen hundred people. It's just incredible and it's in a very, very short period of time. We have literally, had days where contractors have been out the door.

LEGISLATOR LINDSAY:
We're scheduled, I believe, process servers are supposed to come on line soon, right? When is that going to take place?

MR. GARDNER:
July 1st.

LEGISLATOR LINDSAY:
How much more of a workload is that going to add?

MR. GARDNER:
The estimate that we have made up is; at least, five additional employees would be necessary without enforcement. If enforcement is given to us, we would then need an investigator, at least six.

LEGISLATOR LINDSAY:
Is that -- but how many potential licenses? What I'm getting at --

MR. GARDNER:
The first two year period, approximately one thousand.

LEGISLATOR LINDSAY:
And what's the fee we set for that?

MR. GARDNER:
The licensing fee? Two hundred dollars.

LEGISLATOR LINDSAY:
Two hundred dollars. With those types of numbers and the additional help you need, never mind where you're going to do it.

MR. GARDNER:
Even the financial, it's almost a wash.

LEGISLATOR LINDSAY:
Okay. It is a negative though?

MR. GARDNER:
That's correct.

LEGISLATOR LINDSAY:
Okay.

MR. GARDNER:
And certainly, there isn't any way our staff could take on the additional burden of that many licenses. The last licensing category that we did was dry cleaners. That was between two hundred and three hundred and that put the office -- just taking care of that small number was an extreme burden for six to eight months after the initial breaking period of six months. So that was a little bit more than a year. Just before that it was the furniture stores of four hundred licensees. To take on a thousand licensees, it's not feasible with the staff that we have.

LEGISLATOR LINDSAY:
So what are we going to do? I mean, do -- there isn't anything in the budget for additional lines?

MR. GARNDER:
No, this was all done after the preparation and passing of the final budget for this year. That law is schedule to take effect July 1st. There isn't a dime in the budget because it was not -- when we made the budget last year, the County Executive and the Legislature, the final budget was passed without this in mind. So no, there are no funds in anticipation of the process servers.

LEGISLATOR LINDSAY:
And what about space? How are you going to -- I mean --

MR. GARDNER:
Well, I just told you what the lobby, you know, we have five employees that are directly responsible on the day to day basis with the people who come through that lobby and that's what we're doing now. As I said, we're going to maintain an average of about thirteen hundred, which is more than double than it was two years ago and that's without process servers. It happens to be an industry, if you will, also that there's a tremendous amount of turnover. You know this is people that get into it. They work for a year or two or three for a couple of -- so every time they turn over that's another license. So it's not something that we're looking forward to, let's just put it like that.

LEGISLATOR LINDSAY:
So I mean, I know I'm pressing on this but what are we -- do you think there's a need in that industry for licensing?

MR. GARDNER:
Well, when we testified before the committee, not from our records, I mean, it's not anything that Consumer Affairs has ever had the experience in. We never received any complaints. So it wasn't -- this was something that was thrust upon us. We certainly didn't ask for it and we had no experience in that area and we still don't. And we still don't have any complaints.

CHAIRMAN ALDEN:
Thanks Charlie, for coming down. For the record, we had Legislator Haley, Legislator Lindsay, Legislator Alden, Legislator Nowick present. Legislator Binder was sick. He's got an excused absence. I'm going to make a motion to adjourn, seconded by Legislator Nowick. All in favor? Opposed? We stand adjourned. Thank you.

MR. GARDNER:
Thank you, Mr. Chairman.

(The meeting was adjourned at 1:02 P.M.)

{ } Denotes spelled phonetically